

BOARD MEMORANDUM

DATE: November 15, 2018

TO: Board of Trustees, Utah School & Institutional Trust Lands Administration (SITLA)

FROM: Tom Faddies, Assistant Director/Minerals
Jerry Mansfield, Resource Specialist

RE: Other Business Arrangement (OBA) – Non-Competitive Lease of Metalliferous Minerals, San Juan County, Utah, North American Vanadium Corporation

BENEFICIARIES:
Schools, Normal Schools, Utah State Hospital, Universities, College of Mines, and Miners Hospital

LANDS PROPOSED FOR LEASE:
See Attachement

APPLICANT:
North American Vanadium Corporation
299 South Main Street, Suite 1300
Salt Lake City, Utah 84111

As provided for under Utah Code Anno. 53C-2-401(1)(d)(ii), which permits the Board of Trustees to approve “other business arrangements”, North American Vanadium Corporation (NAV) on October 15, 2018, submitted a proposal to lease, under the Metalliferous Minerals lease category the referenced land. The reason this action requires Board approval is the lease was not originally offered via any competitive lease process.

This proposed OBA has been reviewed by the SITLA Board’s Mining Committee and they have recommended the Board consider it for approval.

Lands Lease History

The lands encompassed in this proposal have been leased on and off for metalliferous minerals, oil and gas, and potash since as early as 1965. Currently some of the lands are leased for Oil, Gas, and Associated Hydrocarbons. None of the lands are leased for Potash. The lands up until the receipt of the proposal were open for lease of Metalliferous Minerals through SITLA’s “Over-the-Counter” leasing process.

Proposal

NAV has proposed to enter into a metalliferous minerals lease agreement for the lands specified. NAV will pay a \$1.00 per acre one-time bonus in addition to the \$1.00 per acre annual rental, and commits performing the following work to be done on the leased lands:

- Year 1 of work requirement:
 - Data compilation and review;
 - Soil and rock sampling;
 - Drainage stream sediment, soil, and rock sampling;
 - Airborne radiometric geophysical surveys on selected areas;
 - Compilation and submittal of complete report on all work.
 - Dollar commitment: \$50,000 plus the cost of the geophysics
- Year 2 of work requirement
 - Drill test up to 3 or more targets;
 - Other exploration as appropriate;
 - Preparation and submittal of complete report on work completed;
 - Dollar commitment: \$150,000
- Year 3 of work requirement:
 - Drill test up to 3 or more targets;
 - Other exploration as appropriate; preparation and submittal of complete report on work completed
 - Dollar commitment: \$250,000

The mineral lease or leases to be issued would be under SITLA's standard lease terms; those being:

- 10 year lease term;
- One-time Bonus Payment of \$1.00 per acre;
- Annual rental of \$1.00 per acre;
- Production royalty base on the gross value of 4% for non-fissionable metals and 8% for fissionable metals produced from the lease premises.

Recommendation

The Trust Land Administration Mining staff have reviewed the NAV proposal and recommends that the Board of Trustees, of the School and Institutional Trust Lands Administration, grant approval to issue an "Other Business Arrangement" (OBA) lease to NAV for Metalliferous Minerals for the lands listed under the terms described above.

Respectfully Submitted by:

Tom Faddies
Assistant Director of Minerals

Jerry Mansfield
Resource Specialist

Lands Proposed for Lease:

<u>T31S, R24E, SLB&M</u>	<u>Fund</u>	<u>Acreage</u>
Sec. 32: All	SCH	640.00
<u>T31S, R25E, SLB&M</u>		
Sec. 16: All	SCH	640.00
Sec. 36: All	SCH	640.00
<u>T31S, R26E, SLB&M</u>		
Sec. 2: Lots 1, 2, 3, 4	SCH	71.21
Sec. 32: All	SCH	640.00
<u>T32S, R23E, SLB&M</u>		
Sec. 2: Lots 1, 2, 3, 4, 5, 6, 7, 8, 9, 10, 11, 12, S2N2, S2 [All]	SCH	970.24
Sec. 16: All	SCH	640.00
<u>T32S, R24E, SLB&M</u>		
Sec. 2: S2	SCH	320.00
Sec. 16: All	SCH	640.00
Sec. 22: S2SE4	SCH	80.00
Sec. 23: E2NW4, SW4	SCH	240.00
Sec. 26: E2SW4	SCH	80.00
Sec. 27: <u>SE4SW4</u> , N2SE4	NS/SCH	120.00
Sec. 31: Lot 4	SCH	36.70
Sec. 32: All	SCH	640.00
Sec. 33: NE4, W2	SCH	480.00
Sec. 34: N2NW4, SW4NW4	NS	120.00
Sec. 35: NW4, NE4SW4	SCH	200.00
Sec. 36: All	SCH	640.00
<u>T32S, R25E, SLB&M</u>		
Sec. 2: Lots 1, 2, 3, 4, 5, 6, 7, 8, 9, 10, 11, 12, 13, 14, 15, 16, S2 [All]	SCH	963.48
Sec. 13: NW4SW4, S2SW4	SCH	120.00
Sec. 14: E2SE4	SCH	80.00
Sec. 16: All	SCH	640.00
Sec. 23: E2NE4, SW4NE4	SCH	120.00
Sec. 31: Lots 1, 2, 3, 4, E2W2	SCH	306.32
Sec. 32: All	SCH	640.00
Sec. 33: N2	NS	320.00
Sec. 36: All	SCH	640.00
<u>T32S, R26E, SLB&M</u>		
Sec. 2: Lots 1, 2, 3, 4, 5, 6	SCH	94.09

Lands Proposed for Lease (Continued):

<u>T33S, R23E, SLB&M</u>	<u>Fund</u>	<u>Acreage</u>
Sec. 8: N2SW4	SCH	80.00
Sec. 14: E2	SCH	320.00
Sec. 15: E2	USH	320.00
Sec. 16: N2, SW4	SCH	480.00
Sec. 22: E2SE4	SCH	80.00
Sec. 24: SE4NE4, E2SE4	SCH	120.00
Sec. 25: Part of SW4NE4, S2NW4, NE4SW4, W2SW4, Part of NW4SE4	SCH	252.00
Sec. 26: SE4NE4, E2NW4, Part of W2SE4	SCH	199.00
Sec. 32: All	SCH	640.00
Sec. 35: NW4SW4	SCH	40.00
 <u>T33S, R24E, SLB&M</u>		
Sec. 4: Lots 3, 4, S2NW4	SCH	160.22
Sec. 5: Lots 1, 2, S2NE4	SCH	160.12
Sec. 16: All	SCH	640.00
Sec. 19: Lots 2, 4, SE4NW4, NE4SW4, Part of SE4SW4, NW4SE4, Part of S2SE4	SCH	275.47
Sec. 21: SW4SE4	SCH	40.00
Sec. 24: E2	SCH	320.00
Sec. 25: E2	SCH	320.00
Sec. 26: S2SW4	SCH	80.00
Sec. 28: W2NE4, E2W2, NW4SE4	SCH	280.00
Sec. 29: W2NW4	SCH	80.00
Sec. 30: NE4	SCH	160.00
Sec. 31: E2NE4	SCH	80.00
Sec. 32: E2NE4, SW4NW4	SCH	120.00
Sec. 33: SE4	UNIV	160.00
Sec. 34: <u>E2NE4</u> , SW4SW4	<u>SCH/UNIV</u>	120.00
Sec. 35: NW4 less ROW	SCH	154.42
 <u>T33S, R25E, SLB&M</u>		
Sec. 1: SW4, S2SE4	SCH	240.00
Sec. 2: Lots 1, 2, 3, 4, S2N2, S2 [All]	SCH	642.40
Sec. 12: N2, N2S2	SCH	480.00
Sec. 13: SW4	SCH	160.00
Sec. 16: All	SCH	640.00
Sec. 24: N2	SCH	320.00
Sec. 27: NE4NW4, W2W2	NS	200.00
Sec. 30: Lots 1, 2, 3, 4, E2, E2W2 [All]	SCH	629.88
Sec. 31: Lots 1, 2, 3, 4, E2W2 less ROW	SCH	304.42

Lands Proposed for Lease (Continued):

<u>T33S, R25E, SLB&M (Continued)</u>	<u>Fund</u>	<u>Acreage</u>
Sec. 32: All	SCH	640.00
Sec. 36: All	SCH	640.00
 <u>T33S, R26E, SLB&M</u>		
Sec. 2: Lots 1, 2, 3 4	SCH	92.85
Sec. 6: S2S2	SCH	160.00
Sec. 7: <u>E2</u> , NW4	<u>UNIV/SCH</u>	480.00
Sec. 8: W2	UNIV	320.00
Sec. 16: All	SCH	640.00
Sec. 32: All	SCH	640.00
 <u>T34S, R23E, SLB&M</u>		
Sec. 1: Lots 1, 2, S2NE4, SE4	SCH	320.00
Sec. 13: E2E2, SW4NE4, NW4SE4	SCH	240.00
Sec. 24: W2SE4	SCH	80.00
Sec. 25: NW4NE4	SCH	40.00
 <u>T34S, R24E, SLB&M</u>		
Sec. 2: Lots 1, 2, 3, 4, S2N2, S2 [All]	SCH	640.16
Sec. 3: Lot 4	UNIV	40.13
Sec. 4: Lots 1, 2, SW4NE4, S2NW4, SW4, NW4SE4	UNIV	400.22
Sec. 6: Lots 6, 7, E2SW4	UNIV	156.03
Sec. 7: Lot 4, SE4SW4	SCH	78.31
Sec. 16: All	SCH	640.00
Sec. 17: W2SW4	SM	80.00
Sec. 18: <u>Lots 1, 2, Part of NE4, Part of the NE4NW4,</u> E2SW4, SE4	<u>SCH/SM</u>	458.36
Sec. 19: NW4SE4	SCH	40.00
Sec. 29: SW4NE4, SE4NW4, N2SW4, NW4SE4	SCH	200.00
Sec. 30: NE4SW4, N2SE4	SCH	120.00
Sec. 32: All	SCH	640.00
Sec. 36: All	SCH	640.00
 <u>T34S, R25E, SLB&M</u>		
Sec. 2: Lots 1, 2, 3, 4, S2N2, S2	SCH	651.96
Sec. 16: All	SCH	640.00
Sec. 20: E2E2	SCH	160.00
Sec. 32: All	SCH	640.00
Sec. 34: W2	SCH	320.00
Sec. 35: SE4SE4	MH	40.00
 <u>T34S, R26E, SLB&M</u>		
Sec. 2: Lots 1, 2, 3, 4	SCH	95.37

Lands Proposed for Lease (Continued):

<u>T34S, R26E, SLB&M (Continued)</u>	<u>Fund</u>	<u>Acreage</u>
Sec. 4: <u>Lots 1, 2, S2NE4, SE4, SW4</u>	SCH/USH	485.55
Sec. 5: SW4, S2SE4	SCH	240.00
Sec. 22: NE4SE4	MH	40.00
 <u>T35S, R23E, SLB&M</u>		
Sec. 2: Lots 1, 2, 3, 4, S2N2, S2 [All]	SCH	638.76
Sec. 12: NW4NE4	SCH	40.00
Sec. 14: SW4NE4	SCH	40.00
Sec. 32: All	SCH	640.00
Sec. 36: All	SCH	640.00
 <u>T35S, R24E, SLB&M</u>		
Sec. 2: Lots 1, 2, 3, 4, S2N2, S2 [All]	SCH	640.72
Sec. 7: E2SW4, SE4	SCH	240.00
Sec. 8: W2SW4	SCH	80.00
Sec. 16: Lots 1, 2, 3, 4, S2N2, S2 [All]	SCH	642.88
Sec. 32: All	SCH	640.00
 <u>T35S, R25E, SLB&M</u>		
Sec. 2: Lots 1, 2, 3, 4, S2N, S2 [All]	SCH	638.40
Sec. 16: All	SCH	640.00
Sec. 32: All	SCH	640.00
Sec. 36: All	SCH	640.00
 <u>T35S, R26E, SLB&M</u>		
Sec. 2: Lots 1, 2, 3, 4	SCH	118.61
Sec. 16: All	SCH	640.00
Sec. 32: All	SCH	640.00
 <u>T36S, R23E, SLB&M</u>		
Sec. 2: Lots 1, 2, 3, 4, S2S2 [All]	SCH	253.68
Sec. 16: All	SCH	640.00
Sec. 32: All	SCH	640.00
Sec. 36: All	SCH	640.00
 <u>T36S, R24E, SLB&M</u>		
Sec. 2: Lots 1, 2, 3, 4, S2S2 [All]	SCH	244.04
Sec. 16: All	SCH	640.00
Sec. 32: All	SCH	640.00

Lands Proposed for Lease (Continued):

<u>T36S, R25E, SLB&M</u>	<u>Fund</u>	<u>Acreage</u>
Sec. 2: Lots 1, 2, 3, 4, S2S2 [All]	SCH	240.36
Sec. 16: All	SCH	640.00
Sec. 32: All	SCH	640.00
Sec. 36: All	SCH	640.00
 <u>T36S, R26E, SLB&M</u>		
Sec. 16: All	SCH	640.00
Sec. 32: All	SCH	640.00
 <u>T37S, R23E, SLB&M</u>		
Sec. 2: Lots 1, 2, 3, 4, S2N2, S2 [All]	SCH	637.40
Sec. 16: All	SCH	640.00
Sec. 26: SW4NW4	SCH	40.00
Sec. 32: All	SCH	640.00
Sec. 33: NE4NE4	SCH	40.00
Sec. 36: All	SCH	640.00
 <u>T37S, R24E, SLB&M</u>		
Sec. 2: Lots 1, 2, 3, 4, S2N2, S2 [All]	SCH	633.44
Sec. 16: All	SCH	640.00
Sec. 32: All	SCH	640.00
Sec. 36: All	SCH	640.00
 <u>T37S, R25E, SLB&M</u>		
Sec. 2: Lots 1, 2, 3, 4, S2N2, S2 [All]	SCH	633.08
Sec. 36: All	SCH	640.00
 <u>T37S, R26E, SLB&M</u>		
Sec. 16: All	SCH	640.00
 <u>T38S, R23E, SLB&M</u>		
Sec. 2: Lots 1, 2, 3, 4, S2N2, S2 [All]	SCH	637.84
Sec. 16: All	SCH	640.00
Sec. 27: S2SE4	SCH	80.00
Sec. 32: All	SCH	640.00
 <u>T38S, R24E, SLB&M</u>		
Sec. 2: Lots 1, 2, 3, 4, S2N2, S2 [All]	SCH	645.68
Sec. 16: All	SCH	640.00
Sec. 29: S2NW4	SCH	80.00
Sec. 30: NE4NE4	SCH	40.00
Sec. 36: All	SCH	640.00

Lands Proposed for Lease (Continued):

<u>T38S, R25E, SLB&M</u>	<u>Fund</u>	<u>Acreage</u>
Sec. 2: Lots 1, 2, 3, 4, S2N2, S2 [All]	SCH	639.60
Sec. 16: All	SCH	640.00
Sec. 32: All	SCH	640.00
Sec. 36: All	SCH	640.00
 <u>T38S, R26E, SLB&M</u>		
Sec. 16: All	SCH	640.00
Sec. 32: All	SCH	640.00
	Total Acreage	64,017.08